

The Great Depression - day 1

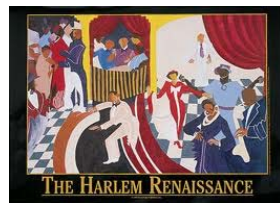
Entrance task: Prepare for a homework quiz

Today: Causes of the Great Depression

Homework: Ch. 21-2

Americans Face Hard Times

Economic Prosperity of the 1920s . . . *really?*



Day 1 Great Depression



Pres. Calvin Coolidge
1923-1929

Americans should "regard the present with satisfaction and the future with optimism." - 1928



Pres. Herbert Hoover
1929-1933

We in America today are nearer to the final triumph over poverty than ever before in the history of any land. The poorhouse is vanishing from among us. We have not yet reached the goal, but, given a chance to go forward with the policies of the last eight years, and we shall soon, with the help of God, be in sight of the day when poverty will be banished from this nation. . . ." August 1928

Why did the economy appear healthy in the Republican Decade of the 1920s?

"Wonderful Prosperity"

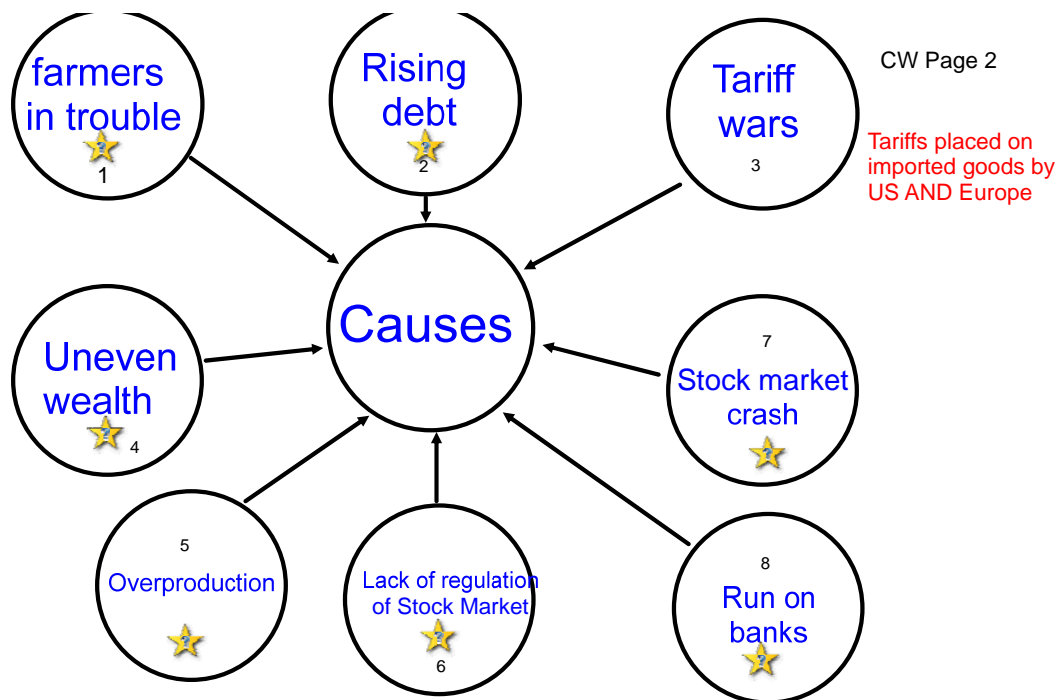
- \$ 1925 stock market = \$27 billion, by October 1929 = \$87 billion
- \$ Workers wages had risen 40% since 1914
- \$ Unemployment averaged below 4%
- \$ Corporate leader John J. Raskob:

"Everybody Ought to be Rich"

(Saving \$15 per week for 20 years = \$400 retirement income from investments)

Welfare Capitalism

- \$ Big companies launched strategies to meet worker demands
- \$ Industrialists avoided union intervention, strikes, and kept productivity high by giving raises, paid vacations, health plans, recreation plans, and English classes for recent immigrants



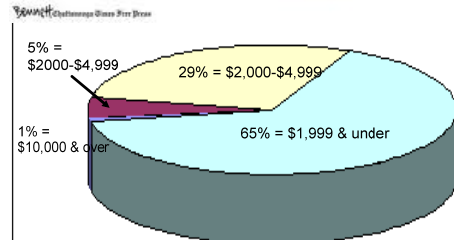
Economic Danger Signs

Uneven prosperity

- 200 large companies controlled 49% of American industry
- .1% of population held 34% of the nation's total savings as 71% earned less than \$2,500 a year and nearly 80% had no savings

6% over \$2000 per year

★ **94% makes less**



Income Distribution, 1929

Economic Danger Sign

Buying on Credit - Rising debt

"Makes Good Sense To Me..."
to figure the Car Financing Yourself"

Yes, it's just good common sense to do your own figuring, when you buy a car on time.

And surely the time to know when you get into your car is before you buy. That's why we say, "Figure the Financing. Get into the car you want to buy."

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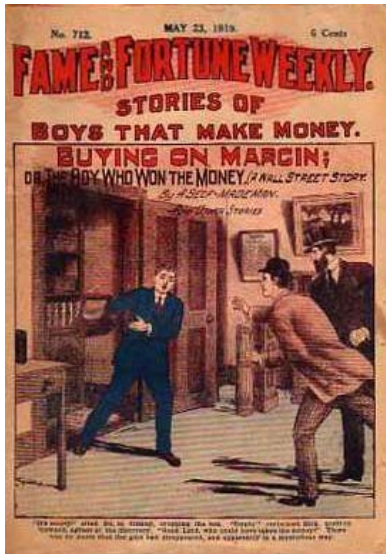
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Makers of the famous Armstrong Radio Sets, Electric Ranges, and other domestic appliances.




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Economic Danger Sign

Lack of Regulation of Stock Market

Buying on Margin

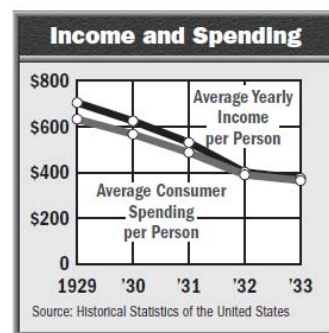
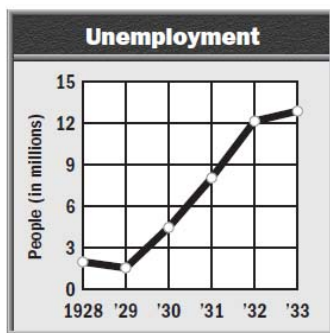
- * small investors entered the market, often with their life savings
 - * brokers encouraged "buying on margin," paying a fraction of the stock price and borrowing the rest
 - * brokers could call in loans at any time
 - * worked if stocks went up
- 
- A cartoon illustration of a man with a large question mark above his head, looking confused or questioning. He is wearing a suit and tie.



Overproduction

Too many goods, too little demand

- * People couldn't afford to buy goods as fast as the assembly lines could produce them



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Economic Danger Sign #1 Problems for Farmers & Workers



- * Post-war prices of wheat and cotton plummeted as their efficiency created more crop than was needed
- * Falling prices made debt repayment difficult
- * ~ 6,000 banks went out of business
- * Industrial workers continued to work long hours at low pay in bad conditions



"We were in the Depression before 1929, we just didn't call it that." ~ farmer from Tennessee

8:33 WWI to Great Depression

Run on banks

People panicked and tried to get their cash - it wasn't always there



The CRASH!!!!!!

- * Stock prices continued to rise through the 1920s, peaking in Sept. 1929
- * Black Thursday - Oct. 24, 1929 - worried investors began to sell & stock prices fell
- * Black Tuesday - Oct. 29 - 16.4 million shares sold (4 million on an average day) - led to the Great Crash



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[Homework: Ch. 21-2](#)

